



WEEKLY ECONOMIC DIGEST

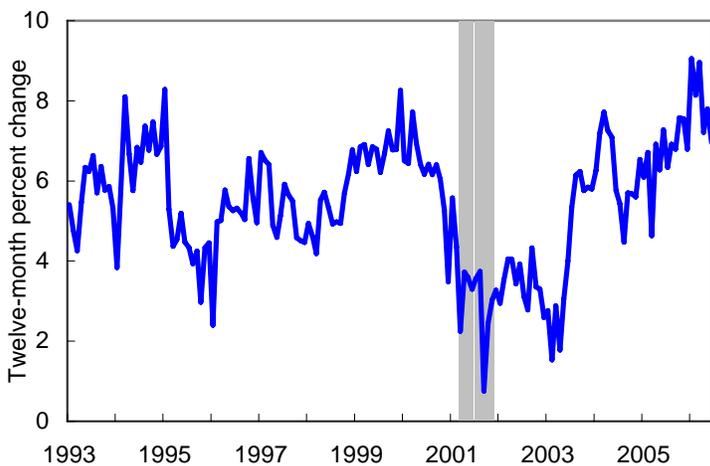


JOINT ECONOMIC COMMITTEE – DEMOCRATIC STAFF
SENATOR JACK REED (D-RI) – RANKING DEMOCRAT

July 18, 2006

Gasoline Sales and Oil Imports Increase; Oil Prices Likely to Stay High

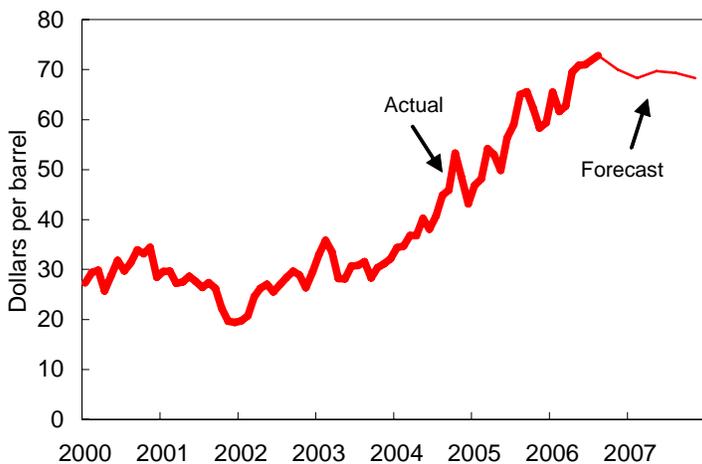
Retail Sales Excluding Motor Vehicle and Gasoline Sales



Source: Bureau of Labor Statistics, U.S. Department of Labor and National Bureau of Economic Research.

Note: The gray area indicates a period of recession as defined by the National Bureau of Economic Research.

Spot Price of West Texas Intermediate Crude Petroleum



Source: Energy Information Administration, U.S. Department of Energy.

- **A drop in automotive sales depressed retail sales in June.** Total sales at retail establishments and food services fell by 0.1 percent last month after edging up by 0.1 percent in May. Sales at automotive dealerships, which tend to be volatile, fell 1.6 percent in June. At the same time, sales at gasoline stations rose 1.1 percent despite little change in gasoline prices. Sales excluding vehicles and gasoline rose by only 0.1 percent last month, but those non-automotive sales were a solid 7.0 percent higher than a year earlier (see top chart).
- **Industrial production rebounded last month.** Industrial production in manufacturing, mining, and utilities grew by 0.8 percent in June after rising by only 0.1 percent in May. Factory output grew by 0.7 percent after a 0.1 percent rise in May, leaving manufacturing production 5.7 percent above its level a year earlier. The average rate of capacity utilization in manufacturing rose to 81.1 percent last month.
- **Higher oil imports masked a slight improvement in the non-oil trade deficit.** The deficit for international trade in goods and services (imports minus exports) rose by \$0.5 billion to \$63.8 billion in May. Exports rose by \$2.7 billion. An increase of \$4.0 billion in petroleum imports more than accounted for the increase of \$3.2 billion in overall imports. Despite the pickup in exports and decline in non-oil imports, the trade deficit remains unsustainably large.
- **After a lull, petroleum prices are rising again.** The average price of West Texas Intermediate crude oil was \$70.96 a barrel in June—little changed from May’s average of \$70.94 per barrel. The retail price of regular grade gasoline slipped two cents to \$2.89 per gallon. In recent weeks, however, those prices have begun to rise again. Crude averaged \$75.29 per barrel last week while the nationwide average price of regular gasoline was \$2.99 yesterday. The Department of Energy expects oil prices to remain high through 2007 (see bottom chart).

The Economy at a Glance	Jun	May	Apr	Mar	2006 Qtr 2	2006 Qtr 1	2005 Qtr 4	2005 Qtr 3	2005	2004
Economic Activity										
Real GDP (% growth)	—	—	—	—	n.a.	5.6	1.7	4.1	3.5	4.2
Industrial Production (% growth)	10.0	1.2	10.0	6.2	6.6	5.1	5.3	1.4	3.3	4.1
Capacity Utilization (level, %)	82.4	81.8	81.9	81.3	82.0	81.1	80.5	79.8	80.0	78.6
Civilian Unemployment Rate (level, %)	4.6	4.6	4.7	4.7	4.7	4.7	5.0	5.0	5.1	5.5
Housing Starts (thousands)*	n.a.	1957	1863	1972	n.a.	2123	2060	2101	2073	1950
Real Disposable Personal Income (% growth)	n.a.	0.0	1.2	-1.2	n.a.	1.5	5.1	-1.4	1.3	3.4
Retail Sales (% growth)	-1.0	1.6	8.3	8.7	3.7	13.4	1.9	8.5	7.2	6.2
Personal Saving Rate (level, %)	n.a.	-1.7	-1.6	-1.5	n.a.	-1.4	-0.5	-1.6	-0.5	1.8
Inflation & Productivity										
CPI-U Inflation, all items (% growth)*	n.a.	4.9	7.4	4.9	n.a.	2.2	3.2	5.5	3.4	2.7
Core CPI-U Inflation (% growth)*	n.a.	3.7	3.7	3.7	n.a.	2.4	2.4	1.6	2.2	1.8
Compensation per hour (% growth)	—	—	—	—	n.a.	2.4	3.2	3.2	3.3	3.7
Output per hour (% growth)	—	—	—	—	n.a.	3.7	-0.3	4.2	2.7	3.4
Financial Markets										
T-bill Rate, 3-month (level, %)	4.79	4.72	4.60	4.51	4.70	4.39	3.83	3.36	3.15	1.37
T-note Rate, 10-years (level, %)	5.11	5.11	4.99	4.72	5.07	4.57	4.49	4.21	4.29	4.27
Federal Funds Rate (level, %)	4.99	4.94	4.79	4.59	4.91	4.46	3.98	3.46	3.22	1.35
Dow Jones Industrial Avg (index level)	10998	11334	11235	11144	11189	10996	10616	10544	10548	10317

Sources: Bureau of Economic Analysis, U.S. Department of Commerce; Bureau of the Census, U.S. Department of Commerce; Bureau of Labor Statistics, U.S. Department of Labor; Board of Governors of the Federal Reserve System; Wall Street Journal; and Haver Analytics.

Notes: Except where otherwise noted, values in the table represent percentage growth measured at seasonally adjusted **annual** rates. Growth in retail sales includes food services. Core CPI-U inflation is the percentage change in the CPI-U excluding food and energy as reported by the Bureau of Labor Statistics. The Employment Cost Index is for civilian workers. Productivity is output per hour for private nonagricultural establishments. The 3-month Treasury bill rate is the secondary market rate.

n.a. Denotes that data are not yet available.

* Subject to revision over the next week.

Upcoming Economic Releases:

- **Producer Price Indexes: June 2006** [Release: Tuesday, July 18]
- **New Residential Construction: June 2006** [Release: Wednesday, July 19]
- **Consumer Price Index: June 2006** [Release: Wednesday, July 19]
- **Minutes of Federal Open Market Committee Meeting: June 28-29, 2006** [Thursday, July 20]